
By: **Chairman, Health and Government Operations Committee (By Request - Departmental - Insurance Administration, Maryland) and Delegates Benson, Boutin, Bromwell, Costa, Donoghue, Elliott, Goldwater, Hammen, Haynes, Hubbard, Hurson, Kach, Mandel, McDonough, Morhaim, Murray, Nathan-Pulliam, Oaks, Pendergrass, Redmer, Rosenberg, Rudolph, Smigiel, V. Turner, and Weldon**

Introduced and read first time: February 6, 2003
Assigned to: Health and Government Operations

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 20, 2003

CHAPTER _____

1 AN ACT concerning

2 **Maryland Insurance Administration - Disability Benefits - Adoption of**
3 **Regulations**

4 FOR the purpose of requiring the Maryland Insurance Commissioner to adopt
5 certain regulations establishing a process to be used by certain insurers for
6 handling disability benefit claims under certain circumstances; requiring
7 certain insurers under certain circumstances to provide an insured with a
8 process to dispute an insurer's disability benefit decision; and generally relating
9 to claims procedures for disability benefits.

10 BY adding to
11 Article - Insurance
12 Section 15-1010
13 Annotated Code of Maryland
14 (2002 Replacement Volume and 2002 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Insurance

2 15-1010.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
4 INDICATED.

5 (2) (I) "DISABILITY BENEFIT" MEANS A BENEFIT THAT IS PAYABLE
6 BASED ON THE DISABILITY OF A COVERED INDIVIDUAL.

7 (II) "DISABILITY BENEFIT" DOES NOT INCLUDE:

8 1. LONG-TERM CARE INSURANCE;

9 2. A BENEFIT THAT IS PAYABLE BASED SOLELY ON A
10 DISMEMBERMENT OF A COVERED INDIVIDUAL;

11 3. BENEFITS IN A LIFE INSURANCE POLICY THAT OPERATE
12 TO SAFEGUARD THE CONTRACT FROM LAPSE OR TO PROVIDE A SPECIAL SURRENDER
13 VALUE, SPECIAL BENEFIT, OR ANNUITY IN THE EVENT OF TOTAL AND PERMANENT
14 DISABILITY; OR

15 4. BENEFITS IN A HEALTH INSURANCE POLICY THAT
16 OPERATE TO SAFEGUARD THE CONTRACT FROM LAPSE DUE TO DISABILITY.

17 (3) "ADVERSE BENEFIT DETERMINATION" MEANS:

18 (I) A DENIAL, REDUCTION, OR TERMINATION OF A DISABILITY
19 BENEFIT;

20 (II) A FAILURE TO PROVIDE OR MAKE PAYMENT, IN WHOLE OR IN
21 PART, FOR A DISABILITY BENEFIT; OR

22 (III) ANY DENIAL, REDUCTION, TERMINATION, OR FAILURE TO
23 PROVIDE OR MAKE PAYMENT THAT IS BASED ON A DETERMINATION OF AN
24 INDIVIDUAL'S ELIGIBILITY FOR COVERAGE OF A DISABILITY BENEFIT.

25 (B) (1) THE COMMISSIONER SHALL ADOPT REGULATIONS THAT ESTABLISH
26 STANDARDS GOVERNING THE PROCESSING OF CLAIMS BY AN INSURER THAT:

27 (I) ISSUES OR DELIVERS INDIVIDUAL POLICIES IN THE STATE
28 THAT INCLUDE A DISABILITY BENEFIT; OR

29 (II) ISSUES OR DELIVERS GROUP POLICIES IN THE STATE THAT
30 INCLUDE A DISABILITY BENEFIT.

31 (2) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION SHALL
32 ESTABLISH AND MAINTAIN REASONABLE CLAIMS PROCEDURES GOVERNING THE
33 FILING OF DISABILITY BENEFIT CLAIMS, INCLUDING:

1 (I) NOTIFICATION OF AN ADVERSE BENEFIT DETERMINATION;
2 AND

3 (II) AN APPEAL BY AN INSURED OR THE INSURED'S AUTHORIZED
4 REPRESENTATIVE OF AN INSURER'S ADVERSE BENEFIT DETERMINATION.

5 (3) THE CLAIMS PROCEDURES ESTABLISHED FOR BOTH INDIVIDUAL
6 AND GROUP POLICIES UNDER THIS SUBSECTION SHALL BE CONSISTENT WITH THE
7 PROVISIONS OF THE DEPARTMENT OF LABOR'S REGULATION ENTITLED "EMPLOYEE
8 RETIREMENT INCOME SECURITY ACT OF 1974, RULES AND REGULATIONS FOR
9 ADMINISTRATION AND ENFORCEMENT; CLAIMS PROCEDURE; FINAL RULE" (29 CFR
10 2560).

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 2003.